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PROFILE 2002

A Profile of Small Business in British Columbia

Western Economic Diversification Canada

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BRITISH COLUMBIA

Ministry of Competition, Science and Enterprise

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HIGHLIGHTS

- **Small Business –** In 2001, almost 98% of all businesses in British Columbia were small businesses. Micro-businesses (those with fewer than five employees) constituted about 83% of small businesses.
- **Employment -** An estimated 930,900 people were employed by small business in British Columbia in 2001. This represents 58% of all private sector jobs in the province.
- **Women Entrepreneurs -** With over 36% of small businesses owned and operated by women, British Columbia has the highest proportion of women owning small businesses in the country.
- **Gross Domestic Product -** Among the provinces, British Columbia ranked first in Canada with the highest proportion of Gross Domestic Product (28%) attributed to small business.
- **High Technology Sector-** Small businesses comprised 93% of employers in high technology, the sector experiencing the fastest growth in new small businesses.
- **Regional Focus -**The Mainland/ Southwest region recorded the highest rate of growth in the number of new small businesses, with an average increase of 2.6% per year over the 1996 to 2001 period.
- **Exports -** Small businesses in British Columbia shipped $11.3 billion worth of merchandise to international destinations in 2000, or 34% of the total value of goods exported from the province.

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Preface

Most private sector jobs in British Columbia are derived from small businesses, reflecting an important and ongoing trend toward economic diversification within the provincial economy.

A Profile of Small Business in British Columbia (Small Business Profile 2002) is an update of previous versions published annually since 1997. This report examines trends over the last decade in the number of small businesses in British Columbia and their employment.

Small Business Profile 2002 is designed to answer some common questions about the role of small business in British Columbia. Key questions are addressed through a review of the number of businesses, the growth in employment, small business contribution to the economy, the industry breakdown of small businesses, small business impact on regional economies and the role of small and medium-sized exporters.

Statistical information contained in this report was prepared by BC STATS with data provided by Statistics Canada from various statistical databases such as the *Business Register*, the *Survey of Employment, Payroll and Hours* and the *Labour Force Survey*.

Small Business Profile 2002 is produced in co-operation between the federal and provincial governments. The report was prepared by Western Economic Diversification Canada, the British Columbia Ministry of Competition, Science and Enterprise and the office of BC STATS in the British Columbia Ministry of Management Services.

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This publication is available at
www.cse.gov.bc.ca/publicinfo/publications/smallbuspubs/Small_Business_Profile_2002.pdf

1. Small Business Growth

What constitutes a small business?

The concept of 'small business' can be defined in a number of ways, but the most commonly used definition focuses on the number of employees:

- Businesses with fewer than 50 employees and businesses operated by a person who is self-employed, without paid help.

Businesses with less than 50 employees are often also labelled small and medium enterprises (SMEs).

How many businesses are there in British Columbia?

There were a total of 344,500 businesses in British Columbia in 2001. Of these, 337,400 (98%) were small businesses. Over half (54%) of all businesses in the province were operated by a self-employed person without paid help.

Figure 1: Total number of businesses in BC, 2001

	Number of Businesses	Percent of Total
Total small businesses	**337,400**	**97.9%**
Self-employed without paid help	187,100	54.3%
Businesses with less than 50 employees	150,300	43.6%
Total large businesses	7,100	2.1%
Total all businesses	**344,500**	**100.0%**

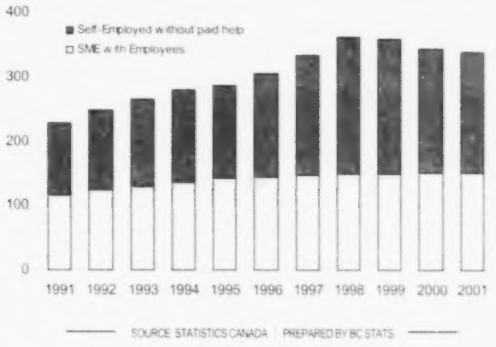
SOURCE: STATISTICS CANADA | PREPARED BY BC STATS

Is the number of small businesses in British Columbia growing?

For the third straight year there was a decline in the total number of small businesses operating in the province (-2%). A drop in the number of unincorporated self-employed without paid help was entirely responsible for the reduction. This could be the result of self-employed entrepreneurs becoming employees in other enterprises.

There were about 125 fewer large businesses (greater than 49 paid employees) in British Columbia in 2001 compared to the previous year, which is a decline of just under 2%.

Figure 2: Number of small businesses in BC (000's), 1991-2001



SOURCE: STATISTICS CANADA | PREPARED BY BC STATS

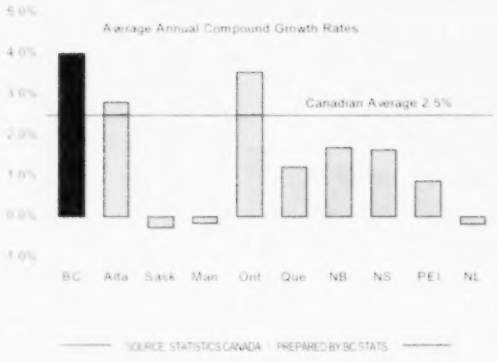
Despite a third consecutive year of decline, the total of 337,400 small businesses in British Columbia is still 48% higher than in 1991, when there were 228,000 small businesses in the province. Most of the growth has occurred in the number of self-employed small businesses (unincorporated, without paid help). There are still two-thirds more of these in 2001 compared to 1991, despite falling over the last few years.

How does small business growth in British Columbia compare with other provinces?

From 1991 to 2001, the number of small businesses across the country grew at an average annual rate of 2.5%. Once again, British Columbia led the way with average annual

compound growth of 4.0%. The next fastest growth rates were Ontario (+3.6%) and Alberta (+2.8%). Looking at the average over only the last five years, only four provinces had positive growth rates. Ontario was ranked first (+2.6%), with British Columbia a close second (+2.1%). Alberta (+0.4%) and Prince Edward Island (+0.1%) experienced some growth.

Figure 3: BC is the leader in small business growth, 1991-2001



SOURCE: STATISTICS CANADA | PREPARED BY BC STATS

How do small businesses measure up?

The overwhelming majority of small businesses in British Columbia are micro-businesses with less than five employees. In 2001, there were 279,800 small businesses of this description, representing 83% of all small enterprises. Over half (55%) of all small businesses were comprised of self-employed individuals without paid help. Only a small portion (4%) of small businesses had between 20 and 49 employees.

Figure 4: Size distribution of small business in BC, 2001

	Number of Businesses	Percent of Total
Total businesses with 0 to 4 employees	**279,800**	**82.9%**
Self-employed without paid help	187,100	55.5%
Businesses with 1 to 4 employees	92,700	27.5%
Businesses with 5 to 19 employees	45,400	13.5%
Businesses with 20 to 49 employees	12,200	3.6%
Total small businesses	**337,400**	**100.0%**

SOURCE: STATISTICS CANADA | PREPARED BY BC STATS

Over the last decade, small businesses in British Columbia grew at an average annual compound rate of 3.9%. From 1991 to 2001, the average number of new small businesses created per year was 10,800. Of these, 7,500 were self-employed workers without paid help. This category along with businesses with between 20 and 49 employees had the fastest compound growth rates for small businesses over the period, at 5.3%. Overall, small business growth lagged that of large businesses, which grew at an average annual compound rate of 6.7%.

Figure 5: Growth in the number of BC businesses, 1991-2001

	Average Annual Growth (#s)	Annual Compound Growth Rate
Total small business	**10,800**	**3.9%**
Self-employed without paid help	7,500	5.3%
Businesses with 1 to 4 employees	1,600	1.9%
Businesses with 5 to 19 employees	1,200	3.1%
Businesses with 20 to 49 employees	500	5.3%
Total Large Businesses	300	6.7%
Total all businesses	**11,100**	**4.0%**

SOURCE: STATISTICS CANADA | PREPARED BY BC STATS

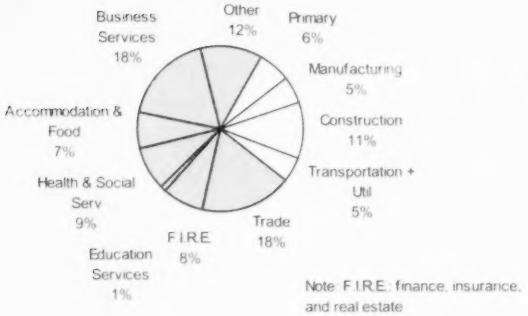
In what sectors are small businesses concentrated?

Almost three-quarters of small businesses in British Columbia are concentrated in the service sector. Businesses with paid employees are slightly more likely to be operating outside the service sector compared to self-employed businesses. About 27% of small businesses with employees were in the goods sector compared to only 25% of those with no employees.

Business services and trade are the leading service sector industries accounting for 35% of all small businesses. Business services are concentrated more in businesses without paid employees, while trade is more prevalent in businesses with employees. In the goods sector, the most significant industry is construction, which accounts for 12% of all small businesses.

Figure 6a: Small businesses with 1-49 employees

(Total 150,300)

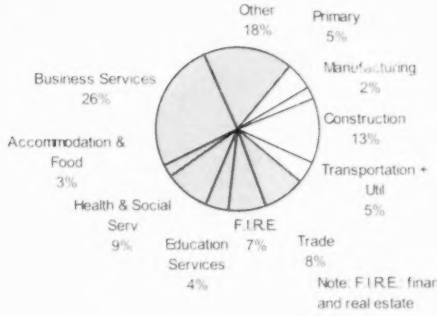


Note: F.I.R.E.: finance, insurance, and real estate

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

Figure 6b: Small businesses with no paid help

(Total 187,100)



Note: F.I.R.E.: finance, insurance, and real estate

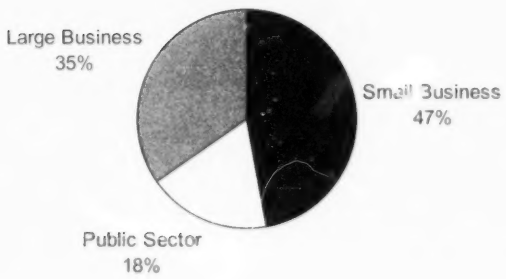
SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

2. Small Business Employment

How many jobs does small business provide in British Columbia?

There were 930,900 small business jobs in the province in 2001. This is 47% of all British Columbia employment, down from 46% of total jobs in 2000. Larger businesses increased their share to 35% of total employment, while the public sector remained steady at 18%.

Figure 7: Almost half of all jobs in British Columbia were in small business, 2001



SOURCE: STATISTICS CANADA, BC STATS | PREPARED BY BC STATS

In 2001, there were 1,612,900 people employed by the private sector (small and large business). Small business was responsible for 930,900 (58%) of these jobs, a slight drop (-0.1%) from 931,600 in 2000. In 2001, 22% of private sector employment was made up of people who were self-employed. Within private sector businesses with paid employees, 54% were in large businesses with the remaining 46% in small businesses.

Figure 8: Private sector employment in British Columbia by size of business, 2001

	Employment	Percent of Total
Total small business employment	**930,900**	**58%**
Self-employed	360,400	22%
Employed by small business	570,500	35%
Large business employment	**682,000**	**42%**
Total private sector employment	**1,612,900**	**100%**

SOURCE: STATISTICS CANADA, BC STATS | PREPARED BY BC STATS

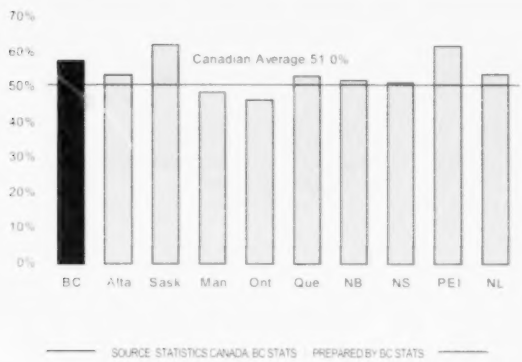
How many jobs has small business created?

Although small business employment experienced a slight decline (-0.1%) from 2000 to 2001 as a result of a 1.6% drop in self-employment, over the last five years (between 1996 and 2001) 66,200 jobs were created by small businesses. The majority of these new jobs (59%) came from self-employed individuals. Over the five-year period, small business was responsible for 29% of all jobs created, averaging 13,200 new jobs per year.

How does British Columbia's small business employment compare to other provinces?

In 2001, British Columbia ranked third in terms of the percentage of private sector employment derived from small business. Almost 58% of private sector employment was provided by small business, compared to a national average of only 51%. Saskatchewan and Prince Edward Island had the highest reliance on small business employment (62%).

Figure 9: British Columbia ranks third in small business as a percent of private sector employment, 2001



SOURCE: STATISTICS CANADA, BC STATS | PREPARED BY BC STATS

British Columbia was not the only province to see a decline in small business employment between 2000 and 2001. Only Alberta (+2.4%), Ontario (+1.0%) and New Brunswick (+0.9%) experienced growth in small business employment. British Columbia's slight 0.1% decline matched the national average. Declining self-employment is responsible for the drop in small business jobs. In fact, for all provinces, self-employment fell between 2000 and 2001.

SELF-EMPLOYMENT

What constitutes self-employment?

People who spend most of their working hours operating their own businesses are classified as "self-employed." The self-employed can be categorised as either incorporated or unincorporated and within each of these categories can be further classified as operating with paid help or without paid help (i.e., working by themselves). This produces four major categories of self-employed workers.

How many self-employed people are there in British Columbia?

There were 360,400 self-employed people in British Columbia in 2001, of which approximately 4,100 worked in family businesses without pay. The remaining 356,300 self-employed business owners are 3,900 fewer than there were in 2000, a drop of 1.1%. Most of self-employed businesses (64%) were unincorporated. The largest category of self-employed was unincorporated without paid help, representing the majority (53%) of self-employed small businesses.

Figure 10: Number of self-employed business owners in British Columbia, 2001

	With paid help	Without paid help	Total	Percent
Incorporated	83,800	46,200	130,000	36%
Unincorporated	39,200	187,100	226,300	64%
Total self-employment	**123,000**	**233,300**	**356,300**	**100%**

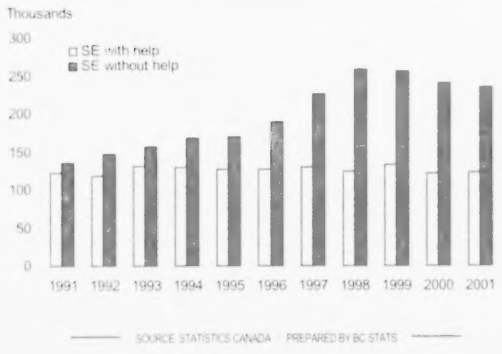
SOURCE: STATISTICS CANADA | PREPARED BY BC STATS

Which categories of self-employed have been growing the fastest?

Since 1991, the number of self-employed businesses without paid help in British Columbia has grown 73% to 233,300 in 2001, while the number of self-employed with paid help has remained virtually unchanged. In 1991 the number of self-employed without paid help was only slightly higher compared to the number with paid help. By 2001, there were 110,000 more self-employed working without paid help than with help.

Between 2000 and 2001 self-employed with paid help actually increased 2% to 123,000. In contrast, the number of self-employed without paid help fell by 6,000 or 3%.

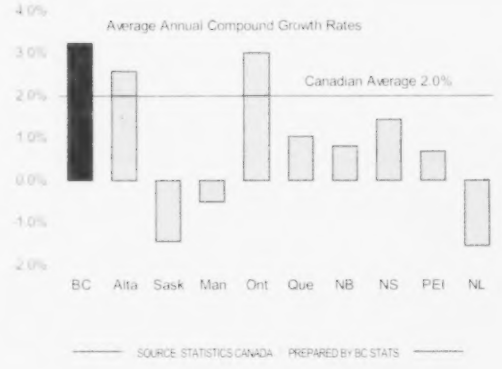
Figure 11: Self-employed without paid help have grown the fastest, 1991-2001



How does self-employment growth in British Columbia compare with other provinces?

British Columbia has led the country in self-employment growth over the last decade, with an average annual compound rate of growth of 3.2% from 1991 to 2001. Ontario (+3.0%) and Alberta (+2.6%) were the only other provinces to exceed the national rate of 2.0%.

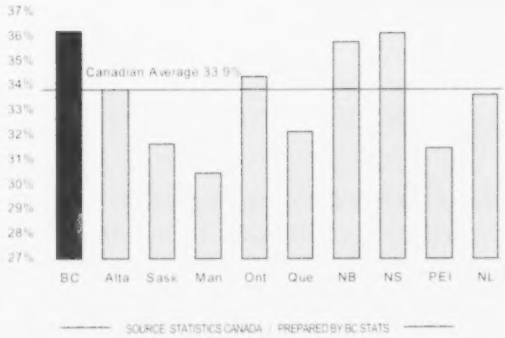
Figure 12: BC leads self-employment growth, 1991-2001



What proportion of self-employed entrepreneurs are women?

British Columbia has the highest proportion of women owning small businesses in the country. Over 36% of small businesses in British Columbia are owned and operated by women, compared to a Canadian average of only 34%. At under 31%, Manitoba has the lowest share of women owning small businesses.

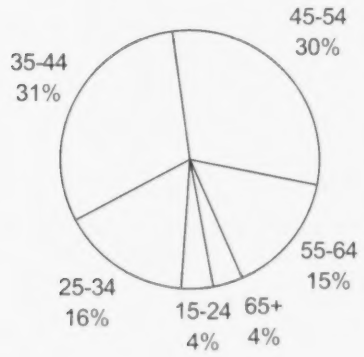
Figure 13: Proportion of small businesses owned by women, 2001



What is the age structure of self-employed entrepreneurs?

While the majority of small business owners are between the ages of 35 and 55, there are significant proportions of both younger and older small business owners. About a fifth (20%) of all entrepreneurs are under 35, with 4% of small business owners in the fifteen to twenty-four age range, and a further 16% are in the twenty-five to thirty-four year age category. Older workers (those 55 and over) account for about 19% of all entrepreneurs. Most of those are under 65, but 4% of all self-employed are more than 65 years of age.

Figure 14: Self-employed by age, 2001

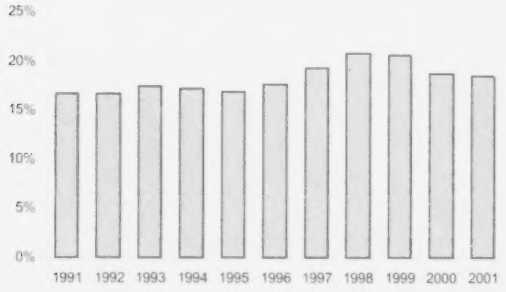


SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

What proportion of total employment is comprised of the self-employed?

In 2001, almost 19% of all workers in British Columbia were self-employed. After peaking in the late nineties at close to 21%, the proportion of self-employed in the workforce has been falling over the last few years.

Figure 15: British Columbia's self-employment as a percent of total employment, 1991-2001

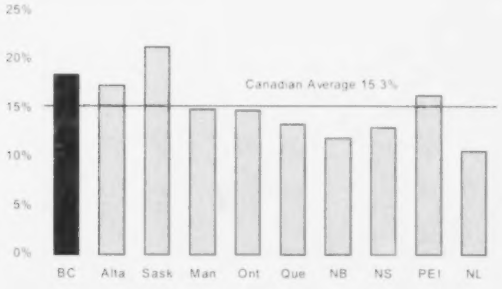


SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

How does British Columbia compare to other provinces?

British Columbia had the second highest proportion of self-employed workers in Canada in 2001 at just under 19%. Only Saskatchewan, with its heavy reliance on family farming, had a higher percentage of self-employed at over 21%. The only other provinces exceeding the Canadian average of 15% were Alberta and Prince Edward Island.

Figure 16: Self-employment as a percent of total employment by province, 2001



SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

3. Contribution to the Economy

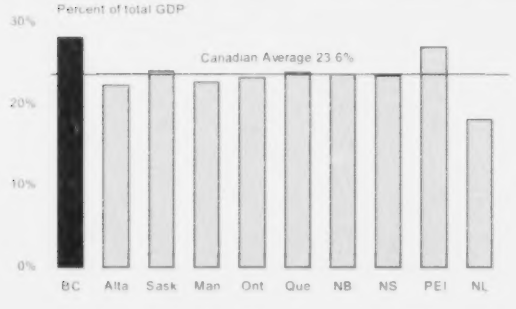
Small business contributes to the provincial economy in several ways: by creating and maintaining jobs, through production of goods and services, and by meeting payrolls that support families and stimulate further economic activity.

The key measure of economic production of a sector is referred to as its Gross Domestic Product (GDP). GDP represents the value that a sector adds to the raw inputs it uses, which is an important aspect of the sector's contribution to the economy.

How large is the contribution of small business to British Columbia's economy relative to other provinces?

In 2001, the proportion of GDP comprised of small business ranged from a low of 18% in Newfoundland and Labrador to a high of 28% in British Columbia. The Canadian average was just under 24%. The high proportion of small business GDP demonstrates how important small businesses are to the British Columbia economy.

Figure 17: British Columbia ranks number one with the highest proportion of GDP comprised of small business, 2001



SOURCE: BC STATS / PREPARED BY BC STATS

How does average pay compare between small and large businesses?

On average, small businesses pay their employees lower wages compared to larger businesses. Over the last several years the difference has amounted to approximately $8,000 annually. In 2001, the average small business employee earned $29,558 compared to $37,638 for the average large business employee. Small business may offer other advantages, such as more flexible working hours, that compensate for this wage shortfall.

The wage gap between small and large businesses has decreased slightly over the last five years. Since 1996, there has been a 10% increase in small business pay per employee while in large businesses (including the public sector) it has increased by only 8%. However, the gap between small and large business annual wages has declined by less than $20 compared to 1996.

Figure 18: Changes in average annual earnings, 1996-2001

	Small Business	Large Business
Earnings 1996 (payroll/employee)	$ 26,755	$ 34,854
Earnings 2001 (payroll/employee)	$ 29,558	$ 37,638
Percent Change	**10%**	**8%**

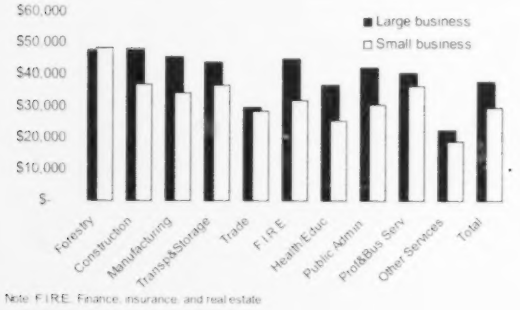
SOURCE: STATISTICS CANADA, BC STATS / PREPARED BY BC STATS

How does average pay compare across industries for small versus large businesses?

With the exception of the forest sector, small business wages lag behind those of businesses with 50 employees or more for all major in-

dustry groupings. In the forest sector, in 2001, wages in small businesses exceeded those in large businesses. The situation in 2001 may be the result of unique circumstances. There was an increase in employment of about 800 in mid-size logging and forestry businesses (i.e., with between 50 and 299 employees) at the same time employment in large businesses (with 300 or more employees) fell by about 3,500. It is possible that layoffs at some larger companies left older employees with higher wages out of work, while younger employees earning introductory wages were brought in at some mid-size forestry operations, resulting in an overall lower average annual wage for forest sector businesses with greater than 50 employees. Average weekly earnings in businesses with 50 to 299 employees dropped between 2000 and 2001, which is consistent with this scenario.

Figure 19: Average annual earnings by industry, 2001



Note: F.I.R.E. Finance, insurance, and real estate

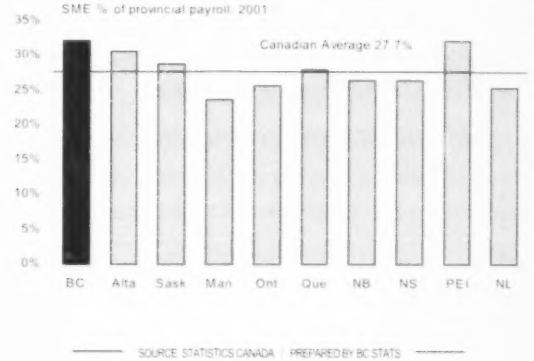
SOURCE: STATISTICS CANADA | PREPARED BY BC STATS

The largest gap between small and large business is in the finance, insurance and real estate industry[1] at around $13,000, on average. The smallest difference is in logging and forestry at about $700, while retail and wholesale trade industries are a close second at just over $900. The lowest wages, on average, are paid to those employed in the accommodation and food sector.

How does British Columbia compare in terms of the portion of total payroll generated by small business?

British Columbia and Prince Edward Island are tied for the highest percentage of provincial payroll derived from small business. In 2001, small business in these provinces accounted for over 32% of wages paid to workers. This is 4.5 percentage points higher than the Canadian average.

Figure 20: British Columbia small business represents 32% of the 2001 provincial payroll



SOURCE: STATISTICS CANADA | PREPARED BY BC STATS

[1] Note that for reasons of confidentiality Statistics Canada has suppressed data for the NAICS industry category mining and oil and gas extraction. In 2000, based on data using the SIC coding system, the mining, quarrying and oil wells industry had the largest wage gap.

4. Growth Industries

EXPLANATION:

The following information contains comparisons of standard industries, such as business services and retail, and specially defined industries like tourism, high technology and secondary manufacturing. Information is not available concerning "self-employed persons without paid help" within these special industries. Consequently, some figures in this section may differ from other parts of this document.

Although the economy of British Columbia is still highly dependent on resource extraction-based industries, emerging sectors like tourism, high technology and value-added (secondary) manufacturing also have a significant role. These industries are considered by many to be the most likely engines of growth for the future economy of British Columbia and since they are less reliant on capital intensive resource extraction, they are well suited for development by small business.

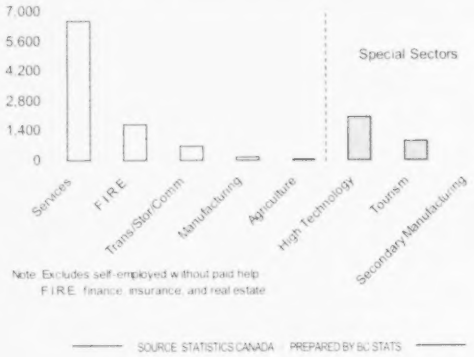
For example, in the high technology sector small businesses comprise 93% of employers. Innovation drives growth in this sector and these services often can be performed efficiently from homes, small offices and small plants by a small number of employees.

NUMBER OF SMALL BUSINESSES

Which industries show the greatest increase in the number of small businesses?

The services sector, which consists of business service, educational service, health and social service, accommodation, food and beverage service, and other service industries, continues to lead the way in terms of small business growth. There was a net addition of 6,500 establishments to the services sector between 1996 and 2001, an average of about 1,300 annually. The finance, insurance and real estate sector ranked second in small business growth with a net gain of just under 1,700 establishments over the five-year period.

Figure 21: Number of small businesses—fastest growing sectors in British Columbia, 1996-2001



SPECIAL SECTORS

EXPLANATION:

This section contains information on industries that are not defined by the North American Industry Classification System (NAICS) used by Statistics Canada. The tourism, high technology and secondary manufacturing sectors are called "Special Sectors" in this section and are in fact composites of smaller parts of traditionally defined industries under NAICS. Tourism, for example, includes data from parts of the transportation industry, accommodation and food services, and information, culture and recreation services, among others. High technology includes both manufacturing and services components.

Of the three special sectors, high technology experienced the greatest growth in the number of small businesses between 1996 and 2001, with an increase of over 2,000 businesses. The

majority of the gains in this sector came from increased activity in high technology services, as opposed to manufacturing.

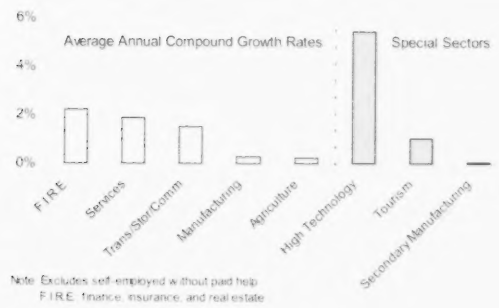
The number of small businesses in tourism also jumped significantly, gaining a net of over 900 new businesses. Secondary manufacturing, which had over 1,600 more establishments than the high technology sector in 1996, experienced very little growth over the last five years and now ranks last among the three special sectors in terms of number of small businesses.

Which industries show the fastest rates of growth in new businesses?

The finance, insurance and real estate sector exhibited the fasted growth in new businesses between 1996 and 2001, increasing at an annual average compound rate of 2.2%. Services were close behind with a rate of 1.9% over that period.

In the special sectors, high technology continued to set the pace with a robust 5.4% average compound rate of growth. The rate of increase in tourism was well behind high technology, at only 1.0% and secondary manufacturing had virtually no growth.

Figure 22: Sector growth rates for number of small businesses, 1996-2001



SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

SMALL BUSINESS EMPLOYMENT

Which industries are experiencing the most job growth?

The services sector was by far the largest provider of new small business jobs over the 1996 to 2001 period. In every employee size category, services had the most new establishments.

Figure 23: Growth in service establishments by employee size, 1996-2001

Employee size	Net increase
1-4	4,308
5-9	784
10-19	639
20-29	486
30-49	308

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

The only other sector to have a net increase in small business establishments in all employee size classes was finance, insurance and real estate.

Figure 24: Small business employment—fastest growing sectors in British Columbia, 1996-2001

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

In the special sectors, high technology added establishments in every size category, although most of the growth was in micro-businesses (1 to 4 employees), where over 1,600 new businesses were established. Almost all the growth occurred on the service side of the high technology sector. In fact, on the manufacturing side, for businesses with five or more employees, there was a decline of over 80 establishments.

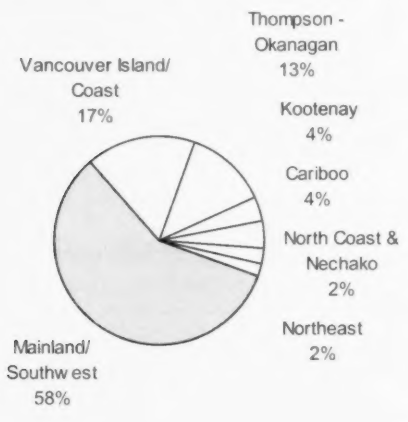
Tourism added new small businesses in all employee size categories. Like the small business sector as a whole, most of the gains were in micro-businesses. In fact, 84% of all net new small business establishments between 1996 and 2001 were micro-businesses with 1 to 4 employees. For secondary manufacturing, this was the only category where there was a net gain in the number of establishments. There was a decline in every other size category, which implies that total employment in small business secondary manufacturing declined over the 1996 to 2001 period.

5. Regional Focus

Which regions have the greatest number of small businesses?

The Mainland/Southwest region was home to approximately 58% of all small businesses in British Columbia in 2001, which is only slightly higher than its 57% share of total provincial population. Vancouver Island/Coast, with almost 18% of British Columbia's population, ranked second with 17% of small businesses, followed by Thompson-Okanagan with 13%. The Thompson-Okanagan has just over 12% of the province's population. The remaining regions combined, which have about 13% of the provincial population, accounted for 12% of the province's small businesses.

Figure 25: Mainland/Southwest accounted for over half of all small businesses in BC, 2001



SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

In which regions are the greatest numbers of small businesses forming?

At 2.6%, the Mainland/Southwest region recorded the fastest average annual compound growth in small businesses between 1996 and 2001. This amounts to a net increase of almost 36,200 businesses over the period, or an average of 7,200 per year. The small business activity in the Mainland/Southwest region is responsible for about 81% of the total provincial net change in the number of small businesses. Vancouver Island/Coast and Thompson-Okanagan were the only other regions to experience growth in the number of small businesses over the period, with net increases of 5,800 and 5,500 respectively. The Cariboo region lost almost 1,200 small businesses from 1996 to 2001, translating to an average annual compound rate of -1.1%.

Figure 26: Number of small businesses by region, 1996-2001

	Average Annual Growth (#s)	Annual Compound Growth Rate
Vancouver Island / Coast	1,200	1.4%
Mainland / Southwest	7,200	2.6%
Thompson - Okanagan	1,100	1.7%
Kootenay	-100	-0.6%
Cariboo	-200	-1.1%
North Coast & Nechako	-100	-0.8%
Northeast	-100	-1.0%
Provincial Total	**9,000**	**1.8%**

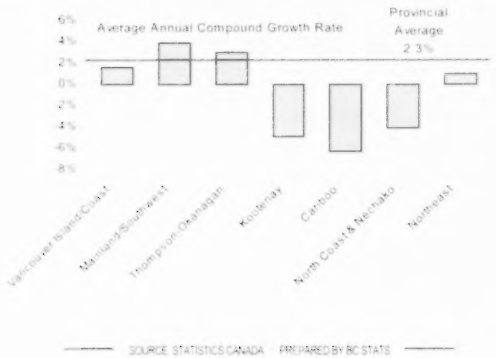
SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

In what regions is self-employment growing the fastest?

The Mainland/Southwest region was also the provincial leader in growth of self-employment over the 1996 to 2001 period. At an average annual compound rate of 3.9%, it was well above the provincial average growth rate of 2.3%. Thompson-Okanagan had the next fastest growth in self-employment, at

3.0%, Cariboo (–6.3%), Kootenay (–4.9%), and North Coast & Nechako (–4.1%) all posted negative growth rates over the five-year period.

Figure 27: Self-employed business growth rate for regions in British Columbia, 1996-2001



SOURCE: STATISTICS CANADA | PREPARED BY BC STATS

In what regions are the "special sectors" growing the fastest?

High technology was the fastest growing of the three special sectors from 1996 to 2001. In all regions of the province, high technology enjoyed strong growth in the number of small business establishments.

Tourism experienced steady average annual compound growth of 2% in Mainland/ Southwest, while small businesses in tourism in other regions of the province grew at a rate of less than 1%. For the North Coast & Nechako and Northeast regions, there was a decline in the number of small business tourism establishments.

There was very little growth overall in new secondary manufacturing establishments, due mostly to a slight decline in Mainland/ Southwest that negated modest increases in other parts of the province.

Figure 28: High technology leads special sector establishment growth throughout BC, 1996-2001

DEVELOPMENT REGION	Tourism		High Technology		Secondary Manufacturing	
	Average Annual Growth (#s)	Average Annual Compound Rate	Average Annual Growth (#s)	Average Annual Compound Rate	Average Annual Growth (#s)	Average Annual Compound Rate
Vancouver Island / Coast	8	0.3%	94	8.9%	12	1.3%
Mainland / Southwest	166	2.0%	247	6.0%	-39	-0.8%
Thompson – Okanagan	11	0.5%	23	4.0%	16	2.0%
Kootenay	5	0.7%	12	7.4%	8	4.1%
Cariboo	1	0.2%	17	9.3%	0	0.2%
North Coast & Nechako	-3	-0.7%	8	8.4%	4	4.6%
Northeast	-2	-0.9%	7	7.1%	2	2.8%

SOURCE: STATISTICS CANADA | PREPARED BY BC STATS

6. Small and Medium-Sized Exporters

The reference period for exporter data is 1995 to 2000. Data for 2001 is not yet available.

How are small and medium-sized exporters defined?

An export can be a good shipped either to another country, or sometimes to another region within a country, such as another province. This report will consider only international exports, so that an exporter is defined as a business that ships merchandise to international destinations. Exporter size categories are defined as follows:

- **Small**: Exporters that ship under $1 million annually
- **Medium**: Exporters that ship between $1 million and $5 million annually
- **Large**: Exporters that ship in excess of $5 million annually

A business that exports $5 million or less annually is described as a small or medium-sized exporter (SMX). Note that a small exporter is not necessarily the same thing as a small business. Some information on small business exporters is presented at the end of this chapter.

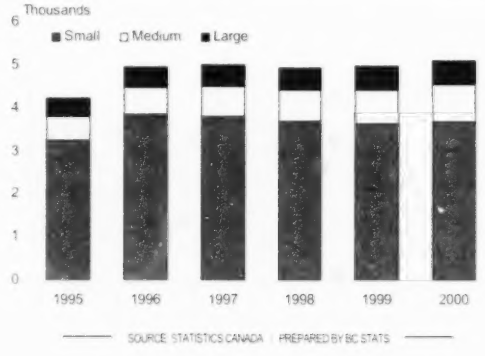
How many SMXs are there in British Columbia?

In 2000, there were 4,548 SMXs in British Columbia, of which 3,690 were small exporters and 858 were medium-sized exporters. Small and medium-sized exporters comprised 89% of all exporters in the province. The proportion of SMXs to all businesses in British Columbia has remained steady at approximately 1.3% from 1995 to 2000.

Is the number of SMXs in British Columbia growing?

Over the 1995 to 2000 period, the number of SMXs in British Columbia increased by 746, an average of 149 per year, or an average annual compound rate of 3.6%. The number of small exporters increased at a slower rate (2.6% average annual compound rate) compared to either medium (8.8%) or large (6.4%) exporters. Much of the growth in exporter establishments occurred between 1995 and 1996 and has been fairly flat since then.

Figure 29: Number of SMXs in BC, 1995-2000

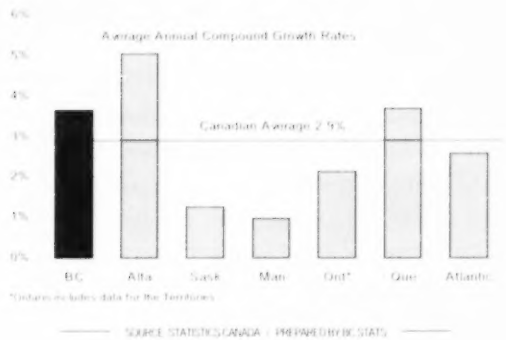


How does the growth in the number of SMXs in British Columbia compare with other provinces?

British Columbia is one of three provinces where the number of small and medium-sized exporters grew faster than the national average. Only Alberta (5.1%) and Quebec (3.7%) had faster growth in SMXs than British Columbia, where they increased at an average annual compound rate of 3.6%. As Canada's third most populous province, it is not surprising that British Columbia is also ranked

third in Canada with just under 15% of all SMXs.

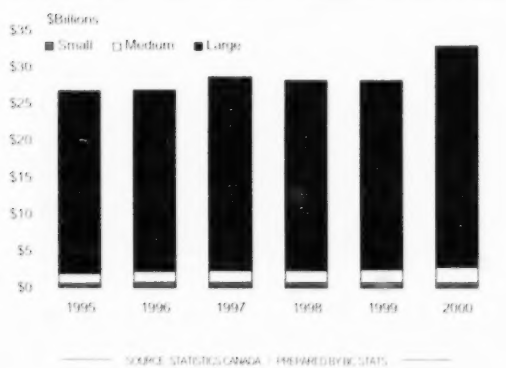
Figure 30: BC has the 3rd strongest growth in SMXs, 1995-2000



What is the value of exports for SMXs in British Columbia?

Small and medium-sized exporters in British Columbia exported $2.8 billion worth of goods in 2000. Despite the fact that SMXs comprise 89% of all exporters in the province, the value exported by these firms represents only 8% of the value of total exports from British Columbia.

Figure 31: Value of BC exports by exporter size, 1995-2000



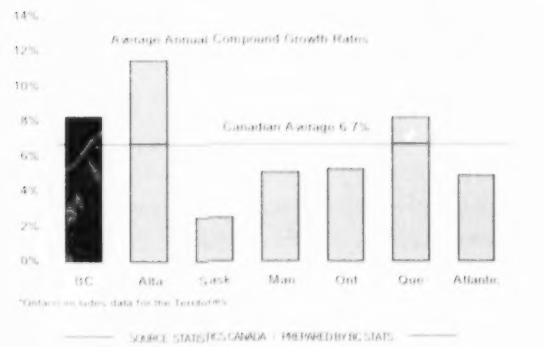
Is the value of SMX exports in British Columbia growing?

The value of shipments by SMXs grew at an average annual compound rate of 8.3% between 1995 and 2000. By comparison, large exporters' shipments grew at an average annual rate of only 3.9% over that period. However, the change in the value of exports of large exporters between 1995 and 2000 was almost two times as much as total SMX exports in 2000 (i.e., shipments by large exporters in 2000 were about $5.3 billion higher than in 1995, while total shipments for SMXs in 2000 were only $2.8 billion).

How does the growth in the value of exports in British Columbia compare with other provinces?

British Columbia was second only to Alberta in terms of growth in the value of SMX exports between 1995 and 2000. The value of shipments by SMXs in British Columbia grew at an average annual compound rate of 8.3% in that period, compared to 6.7% for Canada as a whole. SMX exports from Alberta grew at 11.5%, while Quebec was just behind British Columbia, at 8.2%. All other provinces were below the national average.

Figure 32: BC has the 2nd strongest growth in value of SMX exports, 1995-2000



How many exporters employing less than 50 people are there and how much do they export?

Starting in 2000, there is data available on value of exports by employee size. In British Columbia there were 3,928 small businesses (i.e., with fewer than 50 employees) that exported goods in 2000. These businesses represented 77% of all exporters in the province and comprised just over 1% of all small businesses in British Columbia.

Small businesses were responsible for 34% of the total value of exports shipped from British Columbia in 2000, with $11.3 billion in shipments.

Figure 33: Number of Exporters and Value of Exports, 2000

	Number of Establishments	Value of Exports ($millions)
Small business exporters	**3,928**	**$11,271.6**
Large business exporters	**1,175**	**$21,677.8**
Total all exporters	**5,103**	**$32,949.4**

SOURCE: STATISTICS CANADA | PREPARED BY BC STATS

Technical Notes

All statistics presented in this document are based on the best data currently available. A comprehensive listing of all businesses operating in British Columbia or elsewhere does not exist; therefore, business counts must be estimated to some extent. BC Stats has combined data from several sources to produce estimates of the total number of large and small businesses operating in British Columbia and other provinces, as well as the employment and payrolls generated by these businesses.

The results may differ from estimates produced in other studies using different data and different methodologies. Differences will potentially be more in terms of absolute numbers, rather than direction of trends or the relative standing of British Columbia compared to other provinces. This edition of the Small Business Profile incorporates statistical revisions, such that year-over-year comparisons should not be made using last year's edition.

Data Sources:

Estimates of the number of businesses have been produced using data from Statistics Canada's Business Register and Labour Force Survey.

Estimates of employment and payrolls have been produced using Statistics Canada's Survey of Employment, Payroll and Hours, Employment Dynamics and Labour Force Survey.

All self-employment numbers have been obtained directly from the Labour Force Survey.

Data describing small and medium-sized exporters is derived from the Exporter Registry.

Special Sector Definitions:[2]

Tourism includes industries such as transportation, accommodation, food services, and other tourism related activities.

High technology industries may employ a high proportion of scientists and researchers or invest a high proportion of revenues in research and development. Other industries that produce high technology products are also included.

Secondary manufacturing industries are those that produce goods from the products of other manufacturers. For example, a sawmill is a manufacturing operation, but not a secondary manufacturer, because its logs do not come from another manufacturer. A factory producing wooden doors with lumber obtained from sawmills, on the other hand, is a secondary manufacturer.

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[2] Further information on the tourism sector is available at http://www.bcstats.gov.bc.ca/pubs/pr_tour.htm. Further information on the high technology sector is available at http://www.bcstats.gov.bc.ca/data/bus_stat/hi_tech.htm.

British Columbia

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